

Term Sheet For Settlement Agreement and Mutual Release

The Parties to this Term Sheet for Settlement Agreement are: Viacom Inc., CBS Corp.,¹ The Walt Disney Company, Fox Entertainment Group, Inc., NBC Universal, Time Warner Inc., 4Kids Entertainment, Inc., Discovery Communications, Inc., Association of National Advertisers, Inc., (“ANA”), the Office of Communication of the United Church of Christ, Inc. (“OC, Inc.”), Children Now, the National Parent Teacher Association (“National PTA”), the American Academy of Pediatrics (“AAP”), Action Coalition for Media Education (“ACME”), and the American Psychological Association (“APA”). This Term Sheet is intended to reflect the Parties’ understanding of an agreement in principle for negotiation of a Settlement Agreement. This Term Sheet is not intended to create any legal obligations.

1. Substantive Agreement on Rules. The Parties agree as follows:

a. If the FCC adopts an order on reconsideration that adopts the following revisions to the rules governing children’s television programming, adopted in Children’s Television Obligations of Digital Television Broadcasters, Report and Order, MM Docket No. 00-167,19 F.C.C.R. 22943 (2004) (“Order”), and the time for filing petitions for review of that order passes without the filing of any petitions for review, the parties will withdraw their pending petitions for review and/or refrain from filing petitions for review of the FCC order on reconsideration.

(i) The Website Rule.

The parties accept Paragraph 50 of the Order, clarified to provide that 1) the requirements of that paragraph apply when Internet addresses are displayed during program material or during promotional material not counted as commercial time and 2) if an Internet address is displayed during a promotion that does not meet the 4-prong test, in addition to counting against the commercial time limits, the promotion will be clearly separated from programming material.

(ii) The Host-Selling Rule.

The parties agree that the Commission’s new host-selling rule, as stated in the second clause of the fourth sentence and the fifth sentence of Paragraph 51 of the Order, should be vacated, and that the only restriction on host-selling on websites whose address is displayed on-screen during or adjacent to programming designed for children 12 or younger should be as follows:

Entities subject to commercial time limits under the Children’s Television Act will not display a website address during or adjacent to a program if, at that time, on pages that are primarily devoted to free noncommercial content regarding that specific program or a character appearing in that program: (1) products are sold that feature a character appearing in that program; or (2) a character appearing in that program is used to actively sell products.

¹ Viacom Inc. and CBS Corp. will become independent entities effective January 1, 2006.

To clarify, this rule does not apply to: (1) third-party sites linked from the companies' web pages; (2) on-air third-party advertisements with website references to third-party websites; or (3) pages that are primarily devoted to multiple characters from multiple programs.

Enforcement: companies will certify compliance with the website display rule and host selling rule in the same manner that they currently certify compliance with the advertising limits

(iii) The Promotions Rule.

"Commercial time" under the CTA does not include promotions for children's or other age-appropriate programming on the same channel, or promotions for children's educational or informational programming on any channel.

(iv) The Preemption Rule.

No percentage or other numerical limit on preemptions should be enacted. Paragraphs 41-42 of the Commission's Order, as well as the reference to "as discussed below" in the second sentence of Paragraph 39, and Note 4 to § 73.671 of the new FCC rules, should be vacated.

(v) The Multicasting Rule.

The parties accept the Commission's new multicasting rule. The Commission should clarify its interpretation of Section (c) of note 3 to Sec. 73.671, which states that for purposes of applying the processing guideline to a digital television licensee "at least 50 percent of core programming cannot be repeated during the same week to qualify as core," by amending Paragraph 23 of the Order to explain that at least 50% of the core programming counted toward meeting the additional programming guideline cannot consist of program episodes that had already aired within the previous seven days on either the station's main program stream or on another of the station's free digital program streams. The Commission should amend Form 398 to collect information necessary to enforce this limit.

b. Although the media industry parties agree to accept the website rule and host-selling rule as defined above, by doing so the companies do not concede that the FCC has jurisdiction to regulate the Internet.

2. Procedural Agreements. The Parties agree as follows:

a. The parties will expeditiously and jointly inform the General Counsel's Office of the Commission of the substance of the Substantive Agreement on Rules, as stated in Section 1, and will request that the Commission act expeditiously (and in any event prior to January 1, 2006) to stay or extend the effective date of the Order until 60 days after the publication of the FCC's order on reconsideration in the Federal Register, except that the media

companies that are parties to this term sheet will voluntarily comply in full with the Rules described in Section 1(a) by March 1, 2006.²

b. Once the Commission acts to stay or extend the effective date of the Order, as described in Section 2(a), the parties will immediately so inform the United States Court of Appeals for the Sixth Circuit, and will request that the Sixth Circuit hold in abeyance all pending litigation, including the companies' pending applications for interim relief, until sixty days after the publication of the FCC's order on reconsideration in the Federal Register;

c. The parties will expeditiously and in good faith negotiate an Agreement, memorializing the substance of the Substantive Agreement on Rules, as reflected in Section 1, as well as further procedural provisions appropriate to resolve all pending litigation involving the Order;

d. After reaching a Settlement Agreement, the parties will formally and jointly present the substance of the Substantive Agreement on Rules as reflected in that Settlement Agreement to the Commission as a recommended disposition of the pending petitions for reconsideration, provided that the rules will take effect 60 days following publication of the FCC's final order on reconsideration in the Federal Register.

e. The Parties will use their best efforts to urge the FCC to expeditiously adopt the substance of the Substantive Agreement on Rules, to be adopted pursuant to Section 2(c), and agree not to advocate before the FCC for terms different than those contained in the agreement. In the event that any party makes a communication to any Commissioner or Commission staff with respect to this agreement or any related issue in MM Docket No. 00-167, regardless of who initiates the communication, the Parties agree to on the same date promptly notify the other parties by email, and to include an accurate and detailed summary of the communication, and to email a copy of any filing related to the communication that is made pursuant to the FCC's ex parte rules;

f. Any provision in the Settlement Agreement for final resolution of the pending litigation will take effect only if the Substantive Agreement on Rules as reflected in that Settlement Agreement is accepted by the Commission in its entirety and without material change, and only if the Commission takes no action inconsistent with that Substantive Agreement and imposes no additional material obligations or restrictions;

g. The parties intend to abide by the Substantive Agreement on Rules, stated in Section 1, even if the United States Court of Appeals for the Sixth Circuit issues a ruling on the companies' pending requests for interim relief before the Commission is able to grant an extension of the effective date of the Order or the parties are able to reach a fully negotiated Settlement Agreement, provided that the foregoing shall not apply if the Commission fails to grant the requested extension/stay prior to January 1, 2006.

² The companies' voluntary agreement is subject to their lawyers' review, before execution of the Settlement Agreement, for antitrust considerations.

3. The parties' acceptance of this Term Sheet does not constitute a waiver of any rights or positions in litigation that the parties might have.

4. The parties agree not to disseminate copies of this Term Sheet to anyone other than persons affiliated with or representing a party that is a signatory to this Term Sheet. The parties also agree not to disclose the terms of this settlement or any of the contents of this Term Sheet to the press/media, or to cause any other person to do so, unless (a) the Commission has granted a stay/extension of the effective date of the Order, or (b) the parties have formally made their recommendation to the Commission, as provided for in Section 2.d. The Parties agree that after the agreement becomes public knowledge, they will not disclose to any member of the press the details of the negotiations, and that they will not make negative comments to the press or public officials about positions taken by the Parties during the negotiation of this agreement, or the conduct of those negotiations.

5. The signatories to this Term Sheet represent and warrant that they are authorized agents of the Party represented and have legal authority to execute this Term Sheet.

AGREED TO BY:

FOR:

THIS _____ DAY OF DECEMBER, 2005.